

## Message Text

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INFO OCT-01 ISO-00 CIAE-00 INR-07 NSAE-00 EB-07 IO-10 EA-07

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R 061803Z OCT 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3427

INFO USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: KISSINGER GROWTH STUDY: BACKGROUND COMMENTS ON  
GERMAN MEMBER OF GROUP, PROF. GIER SCH

REF: OECD PARIS 23235

1. HERBERT GIER SCH IS ONE OF THE MORE WIDELY-KNOWN ECONOMISTS IN GERMANY, HAVING DIVIDED HIS TIME BETWEEN ACADEMIC AND OFFICIAL PURSUITS SINCE THE RECEIPT OF HIS DOCTORATE FROM THE UNIVERSITY OF MUENSTER IN 1948. BORN MAY 11, 1921 IN REICHENBACH/EULENGBIRGE, HIS UNIVERSITY STUDIES (AT KIEL AND Breslau) WERE INTERRUPTED BY THE SECOND WORLD WAR, DURING WHICH TIME HE SERVED IN THE GERMAN MILITARY AND EVENTUALLY BECAME A PRISONER OF WAR. HE WAS A BRITISH COUNCIL FELLOW AT THE LONDON SCHOOL OF ECONOMICS IN 1948/49 (AND BECAME AN HONORARY FELLOW OF LSE IN 1970). AT VARIOUS TIMES OVER THE PERIOD 1950-54 GIER SCH WORKED FOR THE OEEC. FROM 1955 TO 1969 HE HELD A CHAIR IN THE ECONOMICS DEPARTMENT AT THE UNIVERSITY OF SAARLAND, SPECIALIZING IN NATIONAL ECONOMIC POLICY. DURING THE ACADEMIC YEAR 1962/63 GIER SCH WAS A VISITING PROFESSOR AT YALE. HIS NATIONAL PROMINENCE STEMS IN THE MAIN FROM HIS 1964-70 MEMBERSHIP ON THE GERMAN COUNCIL OF ECONOMIC EXPERTS. SINCE 1960 HE HAS BEEN A SPECIAL ADVISOR TO THE ECONOMICS MINISTRY

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AND HAS HELD VARIOUS OTHER OFFICIAL ADVISORY POSITIONS

AND LEADING ROLES IN PROFESSIONAL GROUPINGS (INCLUDING TREASURER AND MEMBER OF THE EXECUTIVE COMMITTEE OF THE INTERNATIONAL ECONOMIC ASSOCIATION). AS HIS TERM ON THE COUNCIL OF ECONOMIC EXPERTS DREW TO A CLOSE, PROFESSOR GIER SCH JOINED THE FACULTY OF THE UNIVERSITY OF KIEL AND BECAME DIRECTOR OF ITS "INSTITUT FUER WELTWIRTSCHAFT" IN 1969, HIS PRINCIPAL OCCUPATION AT PRESENT. THE KIEL INSTITUTE IS ONE OF THE FIVE PRINCIPAL GERMAN ECONOMIC INSTITUTES, BUT FALLS BEHIND THOSE AT BERLIN (DIW) AND MUNICH (IFO) IN TERMS OF SIZE AND REPUTATION.

2. PROFESSOR GIER SCH, AS HE IS GENERALLY REFERRED TO, OR HERBERT, AS HIS INTIMATES KNOW HIM, IS EXTREMELY ARTICULATE AND VOLUBLE WHETHER SPEAKING IN HIS EXCELLENT BRITISH ACCENTED ENGLISH, FLUENT FRENCH, OR HIS NATIVE GERMAN. HIS IS A STRONG PERSONALITY THAT COMES ACROSS SOMEWHAT IMPERIOUSLY AND CONTROVERSIALLY AT TIMES. THE CENTER OF THE STAGE IS HIS PREFERRED LOCATION, AND HE IS GIVEN OVER TO MUCH PUBLIC SPEAKING AND IS FREQUENTLY QUOTED IN THE NEWSPAPERS. ONE REPUTABLE GERMAN COLLEAGUE WHO HAS BEEN ASSOCIATED WITH HIM DESCRIBED GIER SCH AS QUITE DIFFICULT TO WORK WITH AND FOR. HE FELT THAT THE PROFESSOR WAS EXTREMELY OPINIONATED AND CLOSED TO POINTS OF VIEW THAT DID NOT AGREE WITH HIS OWN -- TO THE POINT OF NOT BEING "SCIENTIFIC" (WISSENSCHAFTLICH). IN THIS RESPECT HE WAS THOUGHT TO REPRESENT THE STEREOTYPICAL GERMAN. ON THE OTHER HAND, PERHAPS DUE TO HIS BRITISH EXPERIENCE, HE DOES POSSESS A CERTAIN STYLE, SOPHISTICATION AND CLEVERNESS THAT ARE EVIDENT IN HIS PERFORMANCE IN PUBLIC

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FORA SUCH AS AT THE SEMI-ANNUAL KIEL ECONOMIC POLICY CONFERENCES WHICH HE CHAIRS AND SPONSORS, AND WHICH ATTRACTS SEVERAL INTERNATIONALLY KNOWN ECONOMISTS. IN THE LATTER CATEGORY IS IBM'S DAVID GROVE (FORMER CLASSMATE OF MCCracken), WHO KNOWS GIERsch FAIRLY WELL AND COULD PROBABLY ELABORATE ON THIS PERSONAL ASSESSMENT. GROVE TOLD US HE FINDS GIERsch BRIGHT, AN ORIGINAL THINKER AND ONE WHO WORKS WELL WITH OTHERS; AS SUCH HE FEELS GIERsch IS A GOOD CHOICE FOR THE STUDY GROUP.

3. PHILOSOPHICALLY GIERsch CAN BE SUMMARIZED AS BEING A FIRM BELIEVER IN THE MARKET ECONOMY (MARKTWERTSCHAFT). HE FEELS THAT SUCH CURRENTLY TALKED-ABOUT POLICIES (IN LEFT-WING SPD CIRCLES, AT LEAST) AS INVESTMENT CONTROL BY THE STATE (INVESTITIONSLenkUNG) ARE ILL CONCEIVED. ON THE OTHER HAND HE IS MUCH TAKEN WITH INDEXATION AND HAS UNDERTAKEN A ZEALOUS CAMPAIGN TO CONVERT OTHERS TO HIS FAVORABLE VIEW ON THIS APPROACH TO DEALING WITH INFLATION. HE HAS SAID THAT INFLATION HAS BEEN USED BY GOVERNMENTS TO BENEFIT AT THE EXPENSE OF THE PUBLIC (E.G., THE EROSION OF THE REAL VALUE OF THEIR SAVINGS AND THE CONCOMITANT DEPRECIATING OF THE PUBLIC SECTOR DEBT -- AMONG OTHER THINGS). SELECTIVE INDEXATION, HE FEELS, IS ONE WAY OF PARTIALLY PROTECTING THE PUBLIC FROM THIS UNFAIR BIAS.

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